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TO RUEHBS/AMEMBASSY BRUSSELS 2656
RUEHBY/AMEMBASSY CANBERRA 9515
RUFHGV/USMISSION GENEVA 9651
RUEHKI/AMEMBASSY KINSHASA 6493
RUEHPE/AMEMBASSY LIMA 5761
RUEHLD/AMEMBASSY LONDON 7008
RUEHLS/AMEMBASSY LUSAKA 9982
RUEHML/AMEMBASSY MANILA 0338
RUEHME/AMEMBASSY MEXICO 1805
RUEHOT/AMEMBASSY OTTAWA 7025
RUFHFR/AMEMBASSY PARIS 7860
RUEHSA/AMEMBASSY PRETORIA 1879
RUEHSG/AMEMBASSY SANTIAGO 4268
INFO RUEHBG/AMCONSUL JOHANNESBURG 5593
RUTAH/AMCONSUL LUBUMBASHI 8405
BT
UNCLAS STATE 048341

E.O. 12356: N/A

TAGS: EMIN

SUBJECT: RESPONSE TO CONGRESS ON COPPER VRA ISSUE

REF: STATE 8127

1. THE ADMINISTRATION HAS NOW TAKEN A PUBLIC POSITION REGARDING JOINT CONGRESSIONAL COMMITTEE REPORT LANGUAGE IN THE CONTINUING RESOLUTION, SIGNED INTO LAW ON DECEMBER 19, THAT "DIRECTS" USTR TO NEGOTIATE VOLUNTARY PRODUCTION RESTRAINTS (VRA) WITH COPPER PRODUCING COUNTRIES. USTR YEUTTER'S JANUARY 30 REPLY TO REP. NICK RAHALL, CHAIRMAN OF THE HOUSE MINING AND NATURAL RESOURCES SUBCOMMITTEE, IS EXCERPTED BELOW.

2. BEGIN TEXT:
DEAR CONGRESSMAN RAHALL:

THANK YOU FOR YOUR LETTER OF JANUARY 22, URGING THAT I UNDERTAKE THE NEGOTIATION OF VOLUNTARY PRODUCTION RESTRAINTS FOR COPPER AND NOTING THE LANGUAGE OF THE REPORTS OF THE HOUSE AND SENATE APPROPRIATIONS COMMITTEES.

I AM VERY MUCH AWARE OF THE SERIOUS PROBLEMS FACING THE U.S. COPPER INDUSTRY AND HAVE DISCUSSED THEM ON SEVERAL

OCCASIONS, BOTH WITH INDUSTRY REPRESENTATIVES AND CONCERNED MEMBERS OF CONGRESS. BUT I DON'T BELIEVE THAT THE NEGOTIATION OF VOLUNTARY PRODUCTION RESTRAINTS IS A GOOD WAY TO TACKLE THESE PROBLEMS. IN RESPONSE TO AN EARLIER REQUEST BY CONGRESS, THE ADMINISTRATION UNDERTOOK A THOROUGH REVIEW OF THE POSSIBILITY OF NEGOTIATING SUCH RESTRAINTS LAST YEAR. AT THE CONCLUSION OF THIS REVIEW, THE PRESIDENT

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DETERMINED THAT THE NEGOTIATION OF PRODUCTION RESTRAINTS
WAS NOT AN APPROPRIATE COURSE OF ACTION.

THE ADMINISTRATION HAS, HOWEVER, RECENTLY DECIDED TO
EXPLORE THE POSSIBILITY OF ESTABLISHING AN INTERNATIONAL
PRODUCER-CONSUMER FORUM FOR COPPER. THERE HAS BEEN
WIDESPREAD SUPPORT BY THE U.S. COPPER INDUSTRY FOR THE
ESTABLISHMENT OF SUCH A BODY, WHICH WOULD PROVIDE A FORUM
FOR THE EXCHANGE OF VIEWS BY KEY COPPER PRODUCING AND
CONSUMING COUNTRIES. U.S. INDUSTRY REPRESENTATIVES HAVE
EXPRESSED THE BELIEF THAT IT MIGHT IMPROVE FOREIGN
PRODUCERS' APPRECIATION OF MARKET PROSPECTS AND INCREASE
THEIR RESPONSIVENESS TO THE MARKET. MY STAFF WILL BE
WORKING CLOSELY WITH THE U.S. COPPER INDUSTRY, AND WITH
INTERESTED MEMBERS OF CONGRESS, IN PURSUING THIS INITIATIVE.

SINCERELY,

CLAYTON YEUTTER
END TEXT

3. FYI: RECENT TRADE PRESS ARTICLES ON THE VRA ISSUE HAVE
BEEN SOMEWHAT CONFUSED. THE DAILY AMERICAN METAL MARKET
(AMM) HAS REPORTED H.R. 1520 AS "THE VRA LEGISLATION
SIGNED INTO LAW ON DECEMBER 19." H.R. 1520, HOWEVER, IS A
SEPARATE BILL STILL IN COMMITTEE, CALLING FOR NOT ONLY
VRAS BUT A 15-CENT IMPORT SURCHARGE IF VRAS ARE NOT
CONCLUDED. THE COMMITTEE REPORT LANGUAGE IN THE CR
CONTAINED, IN FACT, NO PUNITIVE PROVISIONS. MEANWHILE,
THE AMERICAN MINING CONGRESS JOURNAL CORRECTLY REPORTED TO
ITS MEMBERS THAT CONGRESS DID NOT REALLY MANDATE IMPORT
RELIEF FOR THE DOMESTIC COPPER INDUSTRY BECAUSE "THERE IS
NO STATUTORY LANGUAGE IN THE (CR) DIRECTING THE
ADMINISTRATION TO START (VRA) NEGOTIATIONS." WHITEHEAD
END OF MESSAGE

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